

City of Detroit

CITY COUNCIL

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ANNE MARIE LANGAN
DEPUTY DIRECTOR
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TO: Norman White, Chief Financial Officer
Finance Department

FROM: Irvin Corley, Jr., Fiscal Analysis Director

DATE: April 29, 2008

RE: 2008-2009 Budget Analysis

24.

Attached is our budget analysis regarding your department's budget for the upcoming 2008-2009 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing. We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

IC:jgp:ss

Attachment

cc: Councilmembers
Council Divisions
Auditor General's Office
Pamela Scales, Budget Department Director
Ervin Stewart, Budget Manager
Kerwin Wimberley, Mayor's Office

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Finance Department (23)

FY 2008-2009 Budget Analysis by the Fiscal Analysis Division

Summary

The Finance Department is a General Fund agency. The recommended 2008-2009 budget appropriations total \$41.07 million. The department's net tax cost is \$30.68 million, which is \$3.4 million greater than the current year's net tax cost.

The Mayor recommends a net increase of 14 positions.

2007-2008 Surplus/(Deficit)

The Administration anticipates that Finance will end the year with an \$805,000 net surplus, which is due to a \$2.2 million appropriation surplus, because of departmental vacancies and a \$1.45 million revenue deficit.

Overtime

The department has an overtime budget of \$503,816 in the current fiscal year. Through March 31, 2008, the department has spent \$988,255 in overtime, \$484,439 over the budgeted amount.

For 2008-2009 the recommended budget for overtime is \$750,000, an increase of \$246,000.

Personnel and Turnover Savings

<u>Appropriation/Program</u>	<u>Redbook Positions FY 2007-08</u>	<u>Filled Positions 03/31/2008</u>	<u>Mayor's Budget Positions FY 2008-09</u>	<u>Over/(Under) Actual to 07/08 Budget</u>	<u>Mayor's Recommended Turnover</u>
Finance Department (23)					
00058 Administration	4	6	5	2	\$ -
00060 Assessments Division	58	56	62	(2)	\$ -
00061 Purchasing Division	22	21	22	(1)	\$ -
230070 Treasury	57	50	61	(7)	\$ -
230075 Debts and Disbursements	8	3	8	(5)	\$ -
00063 Treasury Division	65	53	69	(12)	\$ -
230020 Project Administration	3	4	3	1	\$ -
230030 Accounts Payable	12	11	12	(1)	\$ -
230060 Payroll Audit	20	16	18	(4)	\$ -
230090 Debt Management	0	4	0	4	\$ -
230100 Risk Management	16	15	16	(1)	\$ -
230130 General Accounting	15	14	21	(1)	\$ -
00245 Accounts Division - Admin.	66	64	70	(2)	\$ -
00246 Accts.-Pension & Employee Ben.	41	32	41	(9)	\$ -
00247 Accts.-City Income Tax Oper.	56	53	56	(3)	\$ -
00832 Departmental Accounting Oper.	34	35	34	1	\$ -
00982 DRMS	0	0	1	0	\$ -

11859 Targeted Business Development	5	4	5	(1)	\$ -
23XXXX Unmatched	0	4	0	4	\$ -
23XXXX Leave of Absence	<u>0</u>	<u>(4)</u>	<u>0</u>	<u>(4)</u>	<u>\$ -</u>
TOTAL	<u>351</u>	<u>324</u>	<u>365</u>	<u>(27)</u>	<u>\$ -</u>

The Mayor recommends a net increase in positions of 14, which are in addition to the 18 that were added in the current year's budget.

One position was added to Administration, 4 to Assessors, 4 in the Treasury Division, and 7 in General Accounting, with 2 positions cut in Payroll Audit.

Budgeted Professional and Contractual Services by Activity

Finance (23)

Budgeted Professional and Contractual Services by Activity	FY 2007-08 <u>Budget</u>	FY 2008-09 <u>Recommended</u>	Increase <u>(Decrease)</u>
Administration	\$ -	\$ -	\$ -
Assessments	270,440	750,980	480,540
Purchasing	-	-	-
Treasury	276,400	296,400	20,000
Accounting Operations	271,927	1,666,927	1,395,000
Income Tax Operation	100,000	265,000	165,000
Pension & Employee Benefits	<u>3,034,982</u>	<u>3,034,982</u>	<u>-</u>
Total	<u>\$ 3,953,749</u>	<u>\$ 6,014,289</u>	<u>\$ 2,060,540</u>

Significant Funding Changes

The Accounting Operations is increasing contractual services by \$1.4 million to cover costs for contractual accounting work, due to insufficient accountants on staff.

Significant Revenue Changes

In the Treasury Division, there is a new miscellaneous revenue of \$1.6 million projected, and this account showed actual collections in 2006-2007 of \$10,000.

Issues and Questions

1. Are there any fee increases included in the proposed budget? If yes, what is the current fee and proposed fee included in the proposed budget? When was the last time a comprehensive review of fees in the Finance Department was undertaken? Did the Maximus study recommend fees increases in the Finance Department?
2. Please explain the revenue increase in Treasury of \$1.6 million.

3. Please explain the results of the personal property audit that was contracted through Tax Management Associates (TMA). Will it affect projected collections for 2008-2009, or not until 2009-2010? Were the reductions in the last 10 years due to failure to file or did it have more to do with businesses closing or leaving the city?
4. Please explain the details of the proposed utility tax audit, also scheduled to be handled by TMA. Was this service RFP'd?
5. Has the Finance Department administration considered utilizing an afternoon shift in certain areas of the agency in order to process and record daily transactions? This would be similar to banks and other businesses. The goal being to review the daily transactions, verify and record, or investigate and correct while the information etc. is fresh, minimizing reconciliation problems. Rather than letting transactions back up and processing them on an almost batch type of process, much later.
6. As a cost-reducing proposal has the subject of "piggybacking" our income tax form onto the state's form been seriously discussed? This is what many cities in other states do. Has anyone approached the state treasurer about implementing this?
7. Can the Assessment Division provide a complete and comprehensive report to Council on the initial Neighborhood Enterprise Zone target areas designated in the current year? What is the dollar amount of reduced taxes as a result of the NEZ in the proposed budget? Provide Council with a listing of all tax reductions by type, area, assessed value etc. and the effects on the proposed budget.
8. Both Federal and State Income Taxes can be filed electronically on-line. Is the City moving in that direction? When might citizens expect on-line submission of City Income Tax forms to be available?
9. What new and exciting developments can you tell Council about concerning the Targeted Business Development program?
10. The new Commercial Solid Waste Inspection Fees are based on the State Equalized Value (SEV), ranging from an annual fee of \$250 for SEV less than \$25,000 to \$1,000 for SEV greater than \$75,000. Please provide a report showing the number of commercial establishments in the City of Detroit broken down by SEV level.
11. Please provide in detail the actual current year collections of the residential solid waste fee, the commercial solid waste fee, and the commercial solid waste inspection fee.
12. Please explain the over spending in overtime through March 31st, and the need for the increase in the overtime budget for 2008-09.
13. Of the eighteen (18) positions that were added to the current year's budget, how many positions are still unfilled? Why are they hard to fill?